

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Hendricks	County Mackinac
Audit Date March 31, 2004	Opinion Date May 21, 2004	Date Accountant Report Submitted to State: May 21, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

RECEIVED
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUN - 2 2004

✓ Year Ended March 31, 2004

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Groups	A	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds	C	5-6
Notes to Financial Statements		7-13
Supplementary Information:		
General Fund Expenditures by Detailed Account	D	14-15
Current Tax Collection Fund Statement of Changes in Assets And Liabilities	E	16

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 21, 2004

To the Township Board
Township of Hendricks
Mackinac County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hendricks, Mackinac County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hendricks' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hendricks, Mackinac County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hendricks, Mackinac County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account General Fixed Assets</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
<u>Assets</u>				
Cash in bank	236 970 72	24 925 74	25 63	-
Taxes receivable	1 378 04	2 736 30	-	-
Due from other funds	25 00	-	-	-
Land and improvements	-	-	-	11 966 25
Buildings and improvements	-	-	-	31 029 00
Vehicles and equipment	-	-	-	134 622 07
Amount to be provided for the retirement of long-term debt	-	-	-	-
Total Assets	<u>238 373 76</u>	<u>27 662 04</u>	<u>25 63</u>	<u>177 617 32</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	25 00	-
Due to others	-	-	63	-
Note payable – roads	-	-	-	-
Total liabilities	-	-	<u>25 63</u>	-
Fund equity:				
Investment in general fixed assets	-	-	-	177 617 32
Fund balances	<u>238 373 76</u>	<u>27 662 04</u>	-	-
Total fund equity	<u>238 373 76</u>	<u>27 662 04</u>	-	<u>177 617 32</u>
Total Liabilities and Fund Equity	<u>238 373 76</u>	<u>27 662 04</u>	<u>25 63</u>	<u>177 617 32</u>

The accompanying notes are an integral part of these financial statements.

<u>Groups</u> <u>General Long-</u> <u>Term Debt</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
---	--

-	261 922 09
-	4 114 34
-	25 00
-	11 966 25
-	31 029 00
-	134 622 07

<u>82 003 19</u>	<u>82 003 19</u>
------------------	------------------

<u>82 003 19</u>	<u>525 681 94</u>
------------------	-------------------

-	25 00
-	63
<u>82 003 19</u>	<u>82 003 19</u>
<u>82 003 19</u>	<u>82 028 82</u>

-	177 617 32
-	266 035 80
<u>-</u>	<u>443 653 12</u>

<u>82 003 19</u>	<u>525 681 94</u>
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TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Revenues:			
Property taxes	9 795 31	19 443 49	29 238 80
Swamp tax	44 393 72	-	44 393 72
Licenses and permits	1 264 57	-	1 264 57
Federal grants	29 293 00	-	29 293 00
State revenue sharing	14 044 50	-	14 044 50
Charges for services – PTAF	1 522 56	-	1 522 56
Park fees	1 098 00	-	1 098 00
Interest	2 989 90	128 76	3 118 66
Miscellaneous	12 800 54	387 50	13 188 04
Total revenues	<u>117 202 10</u>	<u>19 959 75</u>	<u>137 161 85</u>
Expenditures:			
Legislative:			
Township Board	1 699 75	-	1 699 75
General government:			
Supervisor	11 195 94	-	11 195 94
Clerk	5 830 15	-	5 830 15
Treasurer	7 427 30	-	7 427 30
Board of Review	679 94	-	679 94
Building and grounds	1 026 28	-	1 026 28
Cemetery	2 067 47	-	2 067 47
Unallocated	5 896 74	-	5 896 74
Public safety:			
Protective inspection	1 256 71	-	1 256 71
Ambulance	6 857 65	-	6 857 65
Fire protection	41 683 80	-	41 683 80
Liquor law enforcement	520 92	-	520 92
Public works:			
Highways and streets	10 118 00	-	10 118 00
Street lights	2 220 06	-	2 220 06
Recreation and culture:			
Parks and recreation	4 360 20	-	4 360 20
Other:			
Payroll taxes	2 108 90	-	2 108 90
Capital outlay	12 953 98	-	12 953 98
Debt service	-	14 640 56	14 640 56

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Total expenditures	<u>117 903 79</u>	<u>14 640 56</u>	<u>132 544 35</u>
Excess (deficiency) of revenues over expenditures	(701 69)	5 319 19	4 617 50
Fund balances, April 1	<u>239 075 45</u>	<u>22 342 85</u>	<u>261 418 30</u>
Fund Balances, March 31	<u>238 373 76</u>	<u>27 662 04</u>	<u>266 035 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	11 000 00	9 795 31	(1 204 69)
Swamp tax	44 394 00	44 393 72	(28)
Licenses and permits	800 00	1 264 57	464 57
Federal grants	29 293 00	29 293 00	-
State revenue sharing	14 000 00	14 044 50	44 50
Charges for services – PTAF	-	1 522 56	1 522 56
Park fees	-	1 098 00	1 098 00
Interest	2 500 00	2 989 90	489 90
Miscellaneous	<u>6 000 00</u>	<u>12 800 54</u>	<u>6 800 54</u>
Total revenues	<u>107 987 00</u>	<u>117 202 10</u>	<u>9 215 10</u>
Expenditures:			
Legislative:			
Township Board	2 800 00	1 699 75	(1 100 25)
General government:			
Supervisor	14 310 00	11 195 94	(3 114 06)
Elections	1 000 00	-	(1 000 00)
Clerk	8 030 00	5 830 15	(2 199 85)
Treasurer	8 175 00	7 427 30	(747 70)
Board of Review	1 000 00	679 94	(320 06)
Building and grounds	3 000 00	1 026 28	(1 973 72)
Cemetery	3 000 00	2 067 47	(932 53)
Unallocated	23 101 00	5 896 74	(17 204 26)
Public safety:			
Protective inspection	1 500 00	1 256 71	(243 29)
Ambulance	7 000 00	6 857 65	(142 35)
Fire protection	51 043 00	41 683 80	(9 359 20)
Liquor law enforcement	590 92	520 92	(70 00)
Planning	1 500 00	-	(1 500 00)
Public works:			
Highways and streets	10 418 00	10 118 00	(300 00)
Street lights	2 220 06	2 220 06	-
Recreation and culture:			
Parks and recreation	9 600 00	4 360 20	(5 239 80)

The accompanying notes are an integral part of these financial statements.

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TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued):			
Other:			
Payroll taxes	4 500 00	2 108 90	(2 391 10)
Contingency	15 000 00	-	(15 000 00)
Capital outlay	32 222 30	12 953 98	(19 268 32)
Debt service	-	-	-
Total expenditures	<u>200 010 28</u>	<u>117 903 79</u>	<u>(82 106 49)</u>
Excess (deficiency) of revenues over expenditures	(92 023 28)	(701 69)	91 321 59
Fund balances, April 1	<u>201 250 49</u>	<u>239 075 45</u>	<u>37 824 96</u>
Fund Balances, March 31	<u>109 227 21</u>	<u>238 373 76</u>	<u>129 146 55</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
<u>14 640 56</u>	<u>14 640 56</u>	<u>-</u>
<u>14 640 56</u>	<u>14 640 56</u>	<u>-</u>
4 759 44	5 319 19	559 75
<u>20 375 97</u>	<u>22 342 85</u>	<u>1 966 88</u>
<u>25 135 41</u>	<u>27 662 04</u>	<u>2 526 63</u>

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hendricks, Mackinac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hendricks. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the general long-term debt of the local unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was 4.3781 mills, and the taxable value was \$6,679,279.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. The Township has established the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>261 922 09</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 025 63
Uninsured and Uncollateralized	<u>161 896 46</u>
Total Deposits	<u>261 922 09</u>

The Township of Hendricks did not have any investments as of March 31, 2004.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 3 – Changes in General Fixed Assets

A summary of the changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	11 966 25	-	-	11 966 25
Buildings and improvements	31 029 00	-	-	31 029 00
Vehicles and equipment	<u>121 668 09</u>	<u>12 953 98</u>	<u>-</u>	<u>134 622 07</u>
Totals	<u>164 663 34</u>	<u>12 953 98</u>	<u>-</u>	<u>177 617 32</u>

Note 4 – Changes in General Long-Term Debt

A summary of the changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Note Payable - Roads	<u>91 259 44</u>	<u>-</u>	<u>9 256 25</u>	<u>82 003 19</u>
Totals	<u>91 259 44</u>	<u>-</u>	<u>9 256 25</u>	<u>82 003 19</u>

Note 5 – Note Payable – Roads

On August 10, 2001, the Township obtained a \$100,000.00 loan from the First National Bank of St. Ignace to fund road construction work. The loan is repayable in nine annual payments of \$14,640.56, including interest at the rate of 5.9% per annum. The annual payments begin on August 10, 2002. As of March 31, 2004, the principal balance outstanding on the loan was \$82,003.19 and it is recorded in the General Long-Term Debt Account Group.

Note 6 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>25 00</u>	Current Tax Collection	<u>25 00</u>

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 7 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 – Pension Plan

The Township does not have a pension plan.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$1,264.57 and building permit expenses of \$1,256.71.

Note 11 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Wages	<u>1 699 75</u>
Supervisor:	
Salary	5 541 00
Mileage	970 20
Miscellaneous	1 393 40
Assessors fees	<u>3 291 34</u>
	<u>11 195 94</u>
Clerk:	
Salary	5 356 20
Office supplies	261 10
Deputy Clerk	110 80
Miscellaneous	<u>102 05</u>
	<u>5 830 15</u>
Treasurer:	
Salary	5 356 20
Miscellaneous	327 14
Office supplies	1 633 16
Deputy Treasurer	<u>110 80</u>
	<u>7 427 30</u>
Board of Review	<u>679 94</u>
Building and grounds:	
Repairs and maintenance	589 69
Electricity	<u>436 59</u>
	<u>1 026 28</u>
Cemetery:	
Wages	1 602 18
Operating supplies	<u>465 29</u>
	<u>2 067 47</u>
Unallocated:	
Tax roll preparation	1 277 16
Telephone	377 20
Publications	106 88
Insurance	3 690 00
Dues and conventions	<u>445 50</u>
	<u>5 896 74</u>

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Protective inspection	<u>1 256 71</u>
Ambulance	<u>6 857 65</u>
Fire protection:	
Wages	1 108 20
Insurance	4 685 00
Heat and lights	486 72
Telephone	937 45
Mileage	2 362 40
Supplies	<u>32 104 03</u>
	<u>41 683 80</u>
Liquor law enforcement	<u>520 92</u>
Highways and streets	<u>10 118 00</u>
Street lights	<u>2 220 06</u>
Parks and recreation	<u>4 360 20</u>
Payroll taxes	<u>2 108 90</u>
Capital outlay	<u>12 953 98</u>
Total Expenditures	<u>117 903 79</u>

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	25 00	170 417 42	170 416 79	25 63
Total Assets	<u>25 00</u>	<u>170 417 42</u>	<u>170 416 79</u>	<u>25 63</u>
<u>Liabilities</u>				
Due to other funds	25 00	27 594 26	27 594 26	25 00
Due to others	-	142 823 16	142 822 53	63
Total Liabilities	<u>25 00</u>	<u>170 417 42</u>	<u>170 416 79</u>	<u>25 63</u>

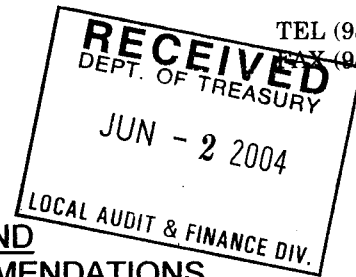
CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 21, 2004

To the Township Board
Township of Hendricks
Mackinac County, Michigan

We have audited the financial statements of the Township of Hendricks, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hendricks in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Hendricks
Mackinac County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Hendricks
Mackinac County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Hendricks will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants